



CLIENT BRIEFING

CORONAVIRUS JOB RETENTION SCHEME AND SSP RELIEF – OPPORTUNITIES AND LIMITATIONS

23 March 2020

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“HMRC will reimburse 80% of wage costs of “furloughed workers”, up to a cap of £2,500 per month”

OUR COMMENTS ON THE JOB RETENTION SCHEME AND SSP RELIEF

There is a financial incentive to furloughing

The Job Retention Scheme is available to all UK businesses, and it may be worth considering whether your business could benefit from the scheme. Numerous clients have made queries in relation to this novel scheme, and, as we have informed them, it is important to note that changing the status of employees remains subject to existing employment law and a careful analysis of whether any of your employees can be designated as “furloughed workers”, and the steps that are required to do so lawfully, will require to be undertaken prior to changing their status.

One aspect to note is that this may, pending further detail/changes, financially incentivise businesses to furlough part of the workforce (meaning those persons furloughed are not asked to work or asked not to work) rather than keeping all of the work force “working” when there is only sufficient work to keep everyone busy part time. To take a simple example, if available work fell by 50%, it appears to incentivise “furloughing” 50% of the workforce in order to secure the 80% relief with the other 50% presumably working full-time.

Furthermore, businesses in need of short-term cash flow support may also be eligible for a Coronavirus Business Interruption Loan, please contact us for more information on this.

Statutory Sick Pay relief does not cover contractual sick pay

The Statutory Sick Pay relief applies to statutory sick pay only and not to contractual sick pay. Accordingly, some companies may therefore be liable for the full contractual Statutory Sick Pay without being able to access the relief prior to the employee moving onto Statutory Sick Pay when the relief would be expected to be available.

The Statutory Sick Pay relief cover up to 2 weeks’ Statutory Sick Pay per eligible employee for SMEs with less than 250 employees. HM Government has yet to set out the specific criteria for this relief, and further information on the gateway for applications is expected to follow.

Both the Job Retention Scheme and the Statutory Sick Pay relief are still quite novel and, as noted above, further updates and guidance is expected, depending on the further impact of COVID-19 on UK businesses. Further guidance from HM Government can be expected. As we continue to advise clients and partners on these novel frameworks, Rooney Nimmo will continue to monitor the developments closely.

BACKGROUND

On 17 March 2020, Rishi Sunak, the Chancellor of the Exchequer, announced a package of £330bn in loan guarantees and a £20bn fiscal intervention including further business rate relief for companies to support businesses affected by the novel coronavirus COVID-19.

These measures, which are unprecedented in scale, include, for example:

- the new temporary Coronavirus Business Interruption Loan Scheme for small and medium-sized businesses;
- a Coronavirus Job Retention Scheme (“Job Retention Scheme”);
- deferring VAT and Income Tax payments;
- a Statutory Sick Pay (“SSP”) relief package for SMEs;
- a 12-month business rates holiday for all retail, hospitality and leisure businesses in England;
- small business grant funding of £10,000 for all businesses in receipt of small business rate relief or rural rate relief;
- grant funding of £25,000 for retail, hospitality and leisure businesses with property with a rateable value between £15,000 and £51,000;
- a new lending facility from the Bank of England to help support liquidity among larger firms, helping them bridge coronavirus disruption to their cash flows through loans; and
- the HMRC Time To Pay Scheme.

The Chancellor committed himself to “do whatever it takes” to support UK businesses, including expanding these measures further should that be necessary.

This Client Briefing gives a general overview of the Coronavirus Job Retention Scheme and Statutory Sick Pay Relief package for SMEs. Please bear in mind that the framework may change rapidly.

THE JOB RETENTION SCHEME

Under the Coronavirus Job Retention Scheme, all UK employers will be able to access support to continue paying part of their employees' salary for those employees that would otherwise have been laid off during this crisis.

HMRC will reimburse 80% of wage costs of "furloughed workers", up to a cap of £2,500 per month. HMRC is currently working on setting up a system for reimbursement, as existing systems are not set up to facilitate payments to employers.

This may, pending further detail/changes, financially incentivise businesses to furlough part of the workforce (meaning those persons furloughed are not asked to work or asked not to work) rather than keeping all of the work force "working" when there is only sufficient work to keep everyone busy part time. To take a simple example, if available work fell by 50%, it appears to incentivise "furloughing" 50% of the workforce in order to secure the 80% relief with the other 50% presumably working full-time.

Furthermore, businesses in need of short-term cash flow support may also be eligible for a Coronavirus Business Interruption Loan, please contact us for more information on this.

Eligibility

All UK businesses are eligible for the Job Retention Scheme.

How to apply

To apply for the Coronavirus Job Retention Scheme, you will need to:

- a) designate affected employees as "furloughed workers";
- b) notify the affected employees of this change (please note that changing the status of employees remains subject to existing employment law, and please contact us should you have any queries in relation to this);
- c) make a submission to HMRC with the relevant information about the employees that have been furloughed and their earnings through HMRC's new online portal. HMRC is expected to set out further details on the specific information required when applying for the scheme.

STATUTORY SICK PAY RELIEF

HM Government intends to bring forward legislation to allow SMEs and employers to reclaim Statutory Sick Pay paid for absences related to COVID-19, whether actual sickness absence or absence related to self-isolating in accordance with HM Government's guidance. The Statutory Sick Pay refund will cover up to 2 weeks' Statutory Sick Pay per eligible employee who has been off work because of COVID-19. The framework for the scheme will be as follows:

- a) employers will be able to reclaim expenditure for any employee who has claimed Statutory Sick Pay under the new eligibility criteria as a result of COVID-19;
- b) employers will be required to maintain records of staff absences and payments of Statutory Sick Pay, but employees will not need to provide a GP fit note; and
- c) the eligible period for the scheme will commence the day after the regulations on the extension of Statutory Sick Pay to those staying at home comes into force

Please note that the relief applies to Statutory Sick Pay only and not to contractual sick pay. Accordingly, some companies may therefore be liable for the full contractual Statutory Sick Pay without being able to access the relief prior to the employee moving onto Statutory Sick Pay when the relief would be expected to be available.

Eligibility

Only employers with fewer than 250 employees will be eligible. The size of an employer will be determined by the number of people they employed as of 28 February 2020.

How to apply

HM Government has announced that it will work with employers over the coming months to set up the repayment mechanism for employers as soon as possible. Accordingly, further updates and guidance is expected.

GET IN TOUCH

Should you have any questions to the topics covered in this article, please get in touch with your Rooney Nimmo contact or any of the persons below.

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